



STATE OF UTAH
NATURAL RESOURCES & ENERGY
Oil, Gas & Mining

Scott M. Matheson, Governor
Temple A. Reynolds, Executive Director
Cleon B. Feight, Division Director

4241 State Office Building • Salt Lake City, UT 84114 • 801-533-5771

March 29, 1982

Mr. Ricky J. Broschat
Reclamation Scientist
Atlas Minerals
Big Indian Mines
LaSal, Utah 84530

RE: Velvet Mine - ACT/037/040
Pandora Mine - ACT/037/012
San Juan County, Utah

Dear Rick:

Thank you very much for providing the requested updated maps and histories for both the Velvet and Pandora mines.

This Division is pursuing finalization of the new contract form again, drawing into consultation the Division's Legal Specialist Carolyn Driscoll, Atlas' counsel James Holtcamp and the Board of Oil, Gas and Mining.

To complete our file update, I would appreciate your forwarding a copy of the 1980 Annual Operations and Progress Report for both the Velvet and Pandora mines.

This letter should also serve as a notice of Division approval for the December 15, 1980, proposed three acre water treatment facility at the Velvet Mine, subject to the provisions outlined in the January 19, 1981, Department of State Health approval letter. Also, regarding this matter, the terms of Atlas' responsibility and obligations under R.C.R.A. for this facility, as mentioned in the January 15, 1981, letter from Richard Dye, have not been addressed. Have any new understandings been arrived at yet?

Additionally, this letter constitutes approval of the 1.7 acre borehole amendment applied for on August 27, 1980, for the Velvet Mine. Furthermore, Division approval is given for the 2.5 acre borehole amendment for the Pandora Mine as requested on December 29, 1980.

Apologies for the delay in processing these matters are extended to Atlas Minerals for any inconvenience incurred by the delay.

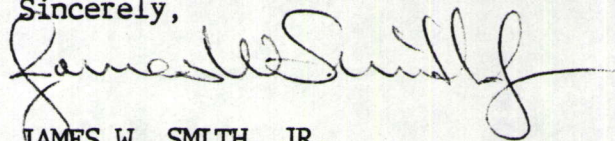
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It may now be considered a general understanding with the Division, concerning Atlas' surety estimates, that the revised figures arrived at will not become a limiting factor in reclamation expenditures. They will be estimated to give a general range which will be used in compilation of "Exhibit B" for the new contract. Taking into account the variability of cost schedules and inflationary factors, this new arrangement will probably be the most practical. Provisions for ceilings on reclamation may tend to inhibit adequate completion of remedial activities and do not seem to be in the best interests of the State. Therefore, the proposed change in Atlas' contract is viewed as a progressive step forward.

It may, however, become necessary during the approval process and contract changeover to receive a financial statement concerning Atlas Minerals' ability to satisfy the personal guarantee for future reclamation costs. This idea of financial accountability is not new for the Board and Division and has become an avenue of desired aegis during the past year. I trust initiatives in the correct areas may be directed toward preparation of the documented evidence.

Again, thank you for helping to "wrap-up the loose ends" of the Velvet and Pandora mine plan permits. We will continue to review Atlas' other plans and update our files. If any questions develop, please contact either Tom Tetting or myself.

Sincerely,



JAMES W. SMITH, JR.
COORDINATOR OF MINED
LAND DEVELOPMENT

cc: James Holtcamp, VanCot, Bagley, Cornall & McCarthy
Richard Brubaugh, Atlas Minerals

JWS/TNT:btb